Remarks

The Office Action mailed July 23, 2004 has been carefully reviewed and the foregoing amendment has been made in consequence thereof.

Claims 1-22 are now pending in this application. Claims 1-22 stand rejected.

In accordance with 37 C.F.R. 1.136(a), a one month extension of time is submitted herewith to extend the due date of the response to the Office Action dated July 23, 2004, for the above-identified patent application from October 23, 2004, through and including November 23, 2004. In accordance with 37 C.F.R. 1.17(a)(3), authorization to charge a deposit account in the amount of $110.00 to cover this extension of time request also is submitted herewith.

The rejection of Claims 4-5 and 14-15 under 35 U.S.C. § 112, second paragraph, is respectfully traversed. Applicant respectfully submits that Claims 4-5 and 14-15 satisfy section 112, second paragraph. More specifically, Applicant respectfully submits that Claims 4-5 and 14-15 are definite and particularly point out and distinctly claim the subject matter of the invention. Applicant has amended Claims 4-5 and 14-15 to address the rejections raised in the Office Action. Accordingly, Applicant respectfully requests that the rejection of Claims 4-5 and 14-15 under Section 112, second paragraph, be withdrawn.

The rejection of Claims 1-20 under 35 U.S.C. § 101 as being directed to non-statutory subject matter is respectfully traversed.

The Office Action suggests at page 2 that "the claimed invention is directed to non-statutory subject matter." Applicant respectfully traverses this suggestion. More specifically, Applicant submits that the claims of the present patent application are directed to practical applications in the technological arts. "Any sequence of operational steps can constitute a process within the meaning of the Patent Act so long as it is part of the technological arts." *In re Musgrave*, 431 F.2d 882 (C.C.P.A. 1970). For example, independent Claim 1 is a method directed to modeling collections for non-stationary asset-based distressed loans in volatile markets wherein future monthly cash inflows are predicted. Applicant submits that modeling collections for non-stationary asset-based distressed loans in volatile markets wherein future

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monthly cash inflows are predicted is a useful process that is considered to be within "the technological arts".

One specific example of such a method implementation is a computer with a processor programmed to at least one of categorize each non-stationary asset-based loan included within the portfolio based on a prior month's payment of the corresponding loan, categorize each loan based on a contractual delinquency of the corresponding loan, utilize the collections model to predict payments made by borrowers of each loan, compare payments received during a current month for each loan to the delinquency category assigned to each corresponding loan and the predicted payments for each corresponding loan, compare payments received for each loan during the current month to the prior month's payment category of the corresponding loan, incorporate management feedback into expectations of future performance, and update the collections model stored within the computer system based on the payment comparisons. While the claims are not limited to the specific examples related to a computer with a programmed processor, the claims need not be so restricted to satisfy the requirement of Section 101.

Applicant further traverses the assertion included in the Office Action that Claims 1-10 are directed to non-statutory subject matter under Section 101 in light of the "Examination Guidelines for Computer-Related Inventions". The Examination Guidelines for Computer-Related Inventions provides in relevant part as follows:

> In order to determine whether the claim is limited to a practical application of an abstract idea, Office personnel must analyze the claim as a whole, in light of the specification, to understand what subject matter is being manipulated and how it is being manipulated. During this procedure, Office personnel must evaluate any statements of intended use or field of use, any data gathering step and any post-manipulation activity....Only when the claim is devoid of any limitation to a practical application in the technological arts should it be rejected under § 101. Further, when such a rejection is made, Office personnel must expressly state how the language of the claims has been interpreted to support the rejection.

Applicant respectfully submits that Claim 1 is limited to a practical application in the technological arts. Furthermore, Applicant respectfully submits that the Office Action does not expressly state how the language of Claim 1 supports the Section 101 rejection.

Claim 1 is a method directed to "modeling collections for non-stationary asset-based distressed loans in volatile markets wherein future monthly cash inflows are predicted". Thus, Applicant submits that Claim 1 is directed to a useful process that is considered to be within "the technological arts". Furthermore, Claim 1 recites a "method for modeling collections for non-stationary asset-based distressed loans in volatile markets wherein future monthly cash inflows are predicted using a computer system configured with a collections model and a re-marketing model". The method includes "utilizing the collections model to predict payments made by borrowers of each loan included within the portfolio, the collections model is based on historical payment information of the borrower, a plurality of collection strategies that may be utilized for collecting payment from the borrower, and the delinquency category assigned to the loan... and updating the collections model stored within the computer system based on the payment comparisons." Thus, Claim 1 uses a computer system configured with a collections model and a re-marketing model to perform certain steps of the process. Claim 1 is therefore directed to a practical application in the technological arts.

Dependent Claims 2-10 depend from independent Claim 1, and these dependent Claims are submitted to satisfy the requirements of Section 101 for the same reasons set forth above with respect to independent Claim 1.

As to Claims 11-20, Applicant further submits that these claims of the present patent application are directed to practical applications in the technological arts. Moreover, Applicant has amended independent Claim 11 as suggested by the Office Action to address this rejection. Accordingly, Applicant submits that Claim 11 satisfies the requirements of Section 101.

Dependent Claims 12-20 depend from independent Claim 11, and these dependent Claims are submitted to satisfy the requirements of Section 101 for the same reasons set forth above with respect to independent Claim 11.

For at least the reasons set forth above, Applicant respectfully requests that the Section 101 rejection of Claims 1-20 be withdrawn.

The rejection of Claims 1-22 under 35 U.S.C. § 102(e) as being anticipated by McCauley et al. (U.S. Patent No. 6,067,533) ("McCauley") is respectfully traversed.

Applicant respectfully submits that McCauley does not describe or suggest the claimed invention. As discussed below, at least one of the differences between McCauley and the present invention is that McCauley does not describe or suggest a method for modeling collections for non-stationary asset-based distressed loans in volatile markets that includes categorizing each non-stationary asset-based loan included within the portfolio based on a prior month's payment of the corresponding loan wherein the non-stationary asset-based loans include at least one of automobile loans, vehicle loans, and credit card loans, categorizing each loan included within the portfolio based on a contractual delinquency of the corresponding loan, and utilizing the collections model to predict payments made by borrowers of each loan included within the portfolio wherein the collections model is based on historical payment information of the borrower, a plurality of collection strategies that may be utilized for collecting payment from the borrower, and the delinquency category assigned to the loan.

Moreover, McCauley does not describe or suggest comparing payments received during a current month for each loan to the delinquency category assigned to each corresponding loan and the predicted payments for each corresponding loan, comparing payments received for each loan during the current month to the prior month's payment category of the corresponding loan, and updating the collections model stored within the computer system based on the payment comparisons.

McCauley describes a system for selecting a business plan for nonperforming real estate loans (see column 2, lines 64-67). A first step is for the system to obtain information on specific parameters of a loan and a borrower's financials including property information, personal information on the borrower, personal financial information of the borrower on a monthly basis, assets of the borrower, as well as number of unpaid loan payments (see column 7, lines 1-15). The system also generates a model for a loan modification option that includes a comparison along a scale (110) (see column 7, lines 19-21). The scale is a scale of potential rates of return for a lender in connection with options for dealing with nonperforming loans, including "Default Rate", "Minimum Rate" and "Current Rate" (see column 4, lines 55-60). The "Default Rate" comes from a "Real Estate Owned" (REO) model that determines the lender's likely costs associated with a foreclosure based in part on the lender's past experience with similar foreclosures and in part on information on a property (see column 5, lines 1-5). The "Minimum

Rate" accounts for a proposed sale prices of the property with a sale of the property to occur sooner than a sale in the foreclosure (see column 5, lines 37-39). The "Current Rate" is a rate of return corresponding to a current interest rate on new, non-distressed loans purchased by the lender (see column 5, lines 40-42). The system analyzes the generated loan models with predetermined rules of a loan experience database (see column 7, lines 22-24). After a user reviews the analyze sheet with loan model information, the system generates a business plan consistent with the lender's selection (see column 7, lines 33-35).

Claim 1 recites a method for modeling collections for non-stationary asset-based distressed loans in volatile markets wherein future monthly cash inflows are predicted using a computer system configured with a collections model and a re-marketing model, the non-stationary asset-based loans are included within a distressed loan portfolio, the method includes "categorizing each non-stationary asset-based loan included within the portfolio based on a prior month's payment of the corresponding loan, non-stationary asset-based loans include at least one of automobile loans, vehicle loans, and credit card loans...categorizing each loan included within the portfolio based on a contractual delinquency of the corresponding loan...utilizing the collections model to predict payments made by borrowers of each loan included within the portfolio, the collections model is based on historical payment information of the borrower, a plurality of collection strategies that may be utilized for collecting payment from the borrower, and the delinquency category assigned to the loan...comparing payments received during a current month for each loan to the delinquency category assigned to each corresponding loan and the predicted payments for each corresponding loan...comparing payments received for each loan during the current month to the prior month's payment category of the corresponding loan...incorporating management feedback into expectations of future performance...and updating the collections model stored within the computer system based on the payment comparisons."

McCauley does not describe or suggest a method for modeling collections for non-stationary asset-based distressed loans in volatile markets wherein future monthly cash inflows are predicted using a computer system configured with a collections model and a re-marketing model, the method includes categorizing each non-stationary asset-based loan included within the portfolio based on a prior month's payment of the corresponding loan wherein the non-

stationary asset-based loans include at least one of automobile loans, vehicle loans, and credit card loans, categorizing each loan included within the portfolio based on a contractual delinquency of the corresponding loan, and utilizing the collections model to predict payments made by borrowers of each loan included within the portfolio wherein the collections model is based on historical payment information of the borrower, a plurality of collection strategies that may be utilized for collecting payment from the borrower, and the delinquency category assigned to the loan.

Moreover, McCauley does not describe or suggest comparing payments received during a current month for each loan to the delinquency category assigned to each corresponding loan and the predicted payments for each corresponding loan, comparing payments received for each loan during the current month to the prior month's payment category of the corresponding loan, and updating the collections model stored within the computer system based on the payment comparisons.

Rather, in contrast to the present invention, McCauley describes obtaining information on specific parameters of a loan and a borrower's financials, generating a model for a loan modification option, analyzing the generated loan models with predetermined rules of a loan experience database, and generating a business plan consistent with the lender's selection.

Applicant respectfully submits that McCauley is not directed to non-stationary asset-based loans. In fact, McCauley is directed to distressed residential real estate loans. Therefore, although McCauley discusses a lender's potential rates of return on a loan if the lender (i) chooses to foreclose on a piece of real property, (ii) chooses a short payoff for the piece of real property, or (iii) chooses to invest the same money at prevailing interest rates (col. 4, lines 40-52), McCauley does not describe nor teach modeling collections for non-stationary asset-based distressed loans in volatile markets wherein future monthly cash inflows are predicted. Moreover, McCauley does not describe or teach categorizing each non-stationary asset-based loan included within the portfolio based on a prior month's payment of the corresponding loan wherein the non-stationary asset-based loans include at least one of automobile loans, vehicle loans, and credit card loans. Applicant submits that calculating rates of returns relating to a piece of real property as describe in McCauley does not teach modeling collections for non-stationary

asset-based distressed loans in volatile markets wherein future monthly cash inflows are predicted.

Applicant also submits that McCauley does not describe or suggest utilizing a collections model to predict payments made by borrowers of each loan included within the portfolio wherein the collections model is based on historical payment information of the borrower, a plurality of collection strategies that may be utilized for collecting payment from the borrower, and the delinquency category assigned to the loan. In fact, it does not appear that McCauley even mentions collection strategies that may be utilized for collecting payment or delinquency categories assigned to loans.

Applicant further submits that McCauley does not describe or suggest comparing payments received during a current month for each loan to the delinquency category assigned to each corresponding loan and the predicted payments for each corresponding loan, comparing payments received for each loan during the current month to the prior month's payment category of the corresponding loan, and updating the collections model stored within the computer system based on the payment comparisons. Accordingly, Applicant respectfully submits that Claim 1 is patentable over McCauley.

For at least the reasons set forth above, Applicant respectfully submits that Claim 1 is patentable over McCauley.

Claims 2-10 depend from independent Claim 1 which is submitted to be in condition for allowance. When the recitations of Claims 2-10 are considered in combination with the recitations of Claim 1, Applicant submits that dependent Claims 2-10 are also patentable over McCauley.

Claim 11 recites a computer-implemented system for modeling collections of collateral non-stationary asset-based distressed loans in volatile markets and predicting future monthly cash inflows, the system includes a computer having a collections model and a re-marketing model, the non-stationary asset-based loans are included within a distressed loan portfolio, the computer is configured to "categorize each non-stationary asset-based loan included within the portfolio based on a prior month's payment of the corresponding loan, non-stationary asset-based

loans include at least one of automobile loans, vehicle loans, and credit card loans...categorize each loan included within the portfolio based on a contractual delinquency of the corresponding loan...access the collections model to predict payments made by borrowers of each loan included within the portfolio, the collections model is based on historical payment information of the borrower, a plurality of collection strategies that may be utilized for collecting payment from the borrower, and the delinquency category assigned to the loan...compare payments received during a current month for each loan to the delinquency category assigned to each corresponding loan and the predicted payments for each corresponding loan...compare payments received for each loan during the current month to the prior month's payment category of the corresponding loan...incorporate management feedback into expectations of future performance...and update the collections model based on the payment comparisons."

McCauley does not describe or suggest a computer-implemented system for modeling collections of collateral non-stationary asset-based distressed loans in volatile markets and predicting future monthly cash inflows, the system having a computer configured to categorize each loan based on a prior month's payment of the corresponding loan wherein the non-stationary asset-based loans include at least one of automobile loans, vehicle loans, and credit card loans, categorize each loan based on a contractual delinquency of the corresponding loan, and access a collections model to predict payments made by borrowers of each loan included within the portfolio wherein the collections model is based on historical payment information of the borrower, a plurality of collection strategies that may be utilized for collecting payment from the borrower, and the delinquency category assigned to the loan.

Moreover, McCauley does not describe or suggest a computer configured to compare payments received during a current month for each loan to the delinquency category assigned to each corresponding loan and the predicted payments for each corresponding loan, compare payments received for each loan during the current month to the prior month's payment category of the corresponding loan, and update the collections model based on the payment comparisons.

Rather, in contrast to the present invention, McCauley describes obtaining information on specific parameters of a loan and a borrower's financials, generating a model for a loan

modification option, analyzing the generated loan models with predetermined rules of a loan experience database, and generating a business plan consistent with the lender's selection.

Applicant respectfully submits that McCauley is not directed to non-stationary asset-based loans. In fact, McCauley is directed to distressed residential real estate loans. Therefore, although McCauley discusses a lender's potential rates of return on a loan if the lender (i) chooses to foreclose on a piece of real property, (ii) chooses a short payoff for the piece of real property, or (iii) chooses to invest the same money at prevailing interest rates (col. 4, lines 40-52), McCauley does not describe nor teach modeling collections of collateral non-stationary asset-based distressed loans in volatile markets and predicting future monthly cash inflows. Moreover, McCauley does not describe or teach categorizing each non-stationary asset-based loan included within the portfolio based on a prior month's payment of the corresponding loan wherein the non-stationary asset-based loans include at least one of automobile loans, vehicle loans, and credit card loans. Applicant submits that calculating rates of returns relating to a piece of real property as describe in McCauley does not teach modeling collections for non-stationary asset-based distressed loans in volatile markets wherein future monthly cash inflows are predicted.

Applicant further submits that McCauley does not describe or suggest a computer configured to compare payments received during a current month for each loan to the delinquency category assigned to each corresponding loan and the predicted payments for each corresponding loan, compare payments received for each loan during the current month to the prior month's payment category of the corresponding loan, and update the collections model based on the payment comparisons. Accordingly, Applicant respectfully submits that Claim 11 is patentable over McCauley.
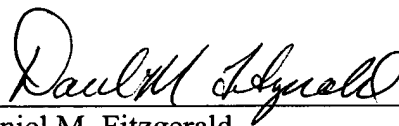
For at least the reasons set forth above, Applicant respectfully submits that Claim 11 is patentable over McCauley.

Claims 12-22 depend from independent Claim 11 which is submitted to be in condition for allowance. When the recitations of Claims 12-22 are considered in combination with the recitations of Claim 11, Applicant submits that dependent Claims 12-22 are also patentable over McCauley.

For at least the reasons set for above, Applicant respectfully requests that the Section 102 rejection of Claims 1-22 be withdrawn.

In view of the foregoing amendments and remarks, all the claims now active in this application are believed to be in condition for allowance. Reconsideration and favorable action is respectfully solicited.

Respectfully Submitted,

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